



OFFICE OF THE GOVERNOR

RICK PERRY
GOVERNOR

June 29, 2007

Mr. Howard G. Borgstrom
Director, Business Operations Center
Office of the Chief Financial Officer
U.S. Department of Energy
Mailstop CF-60, Room 4A-221
1000 Independence Avenue, S.W.
Washington, DC 20585

Re: Response to RIN 1901-AB21, Loan Guarantees for Projects that Employ
Innovative Technologies, 72 Federal Register 27471 (May 16, 2007)

Dear Mr. Borgstrom:

Texas needs fuel diversity in order to guarantee a stable source of electricity and power to its citizens and to ensure that Texas citizens receive the lowest cost electricity possible. As you may know, Texas is leading the country in the amount of installed wind capacity available to generate electricity. But, wind is not enough. Texas needs additional diversity, such as clean coal and advanced nuclear generation. Given the financial risks in investing in these technologies and the heavy competitive pressures in the business environment today, nuclear plants are simply not being built.

Because I believe so strongly that Texas needs fuel diversity, I worked with the Texas Legislature to develop policies that encourage the construction of nuclear generation. I recently signed into law two bills that will help stimulate the construction of nuclear power plants in our state. But these alone will not be enough to encourage construction.

The federal loan guarantee program was established by Congress to jump start the investment in new technologies that reduce, avoid or sequester greenhouse gas emissions by providing a guarantee for up to 80 percent of the total costs of the nuclear project. When enacting this law, Congress intended investors to also have a stake in the investment by requiring them to provide at least 20 percent of a qualifying project's costs. Congress, therefore, created a program to encourage the construction of advanced energy technologies by spreading the risk of building these new technologies among electric company shareholders and the federal government. In the

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long run, of course, these loan guarantees—which cover up to 80 percent of the cost of a project—reduce the cost of electricity to consumers from these new, clean technologies.

In the Department of Energy's (DOE) May 16 Notice of Proposed Rulemaking, DOE proposes to limit the guarantee to 90 percent of a project's debt; therefore, instead of providing a 100 percent guarantee for debt not to exceed 80 percent of the total costs of the nuclear project, DOE proposes to guarantee only 90 percent of the debt, up to 80 percent of project cost. Thus, in order to guarantee 80 percent of project costs as provided in the statute, DOE would require that the project have debt of 88.88 percent of project cost. This would appear to increase project risk, not reduce it. In addition, the proposed rules also prevent debt that is not guaranteed from being separated from guaranteed debt and marketed into two very separate debt markets. I am concerned that these provisions, when taken together, would make the loan guarantee program unattractive to potential investors.

I urge the Administration to implement a workable loan guarantee program that will accomplish the deployment and commercialization of advanced technologies that Texas requires for a diverse energy supply system that meets the needs of our citizens in a reliable, affordable and environmentally responsible way. I urge the Administration to implement the loan guarantee program the way Congress intended it to work, guaranteeing all debt up to 80 percent of a project's costs.

If we are to solve the diversity issue, we need cooperation between the states and the federal government. Texas has stepped up to do its part to encourage construction of advanced, clean energy technologies. I respectfully request that the federal government do its part by establishing a workable loan guarantee program that will bring much needed investment to Texas and other states.

Sincerely,


Rick Perry
Governor

RP:dgv